II. FINANCING

The financing pattern of the State laws is influenced by the Federal Unemployment Tax Act since employers may credit toward the Federal payroll tax the State contributions which they pay under an approved State law. They may credit also any savings on the State tax under an approved experience-rating plan. There is no Federal tax on employees.

The increase in the Federal payroll tax from 3.0 percent to 3.1 percent, effective January 1, 1961—and the subsequent increase to 3.5 percent, effective for calendar years 1962 and 1963 for the purpose of financing the Temporary Extended Unemployment Compensation Act of 1961—did not change the base for computing the credit allowed employers for their contributions under approved State laws. The total credit continues to be limited to 90 percent of 3.0 percent, exactly as it was prior to these increases in the Federal payroll tax.

Source of Funds

All the States finance unemployment benefits mainly by contributions from subject employers on the wages of their covered workers; in addition, three States collect employee contributions. The funds collected are held for the States in the unemployment trust fund in the U.S. Treasury, and interest is credited to the State accounts. From this fund money is drawn to pay benefits or to refund contributions erroneously paid.

States with depleted reserves may, under specified conditions, obtain advances from the Federal unemployment account to finance benefit payments (see p. 19). Advances are to be repaid by either (1) a transfer of funds from the State's account (at the direction of its Governor) to the Federal unemployment account, or (2) a decrease in the allowable credit against the Federal tax if outstanding advances have not been fully repaid by November 10 of the taxable year to which such decrease in allowable credit would apply. If the advance had been made before September 13, 1960, the date of enactment of the Employment Security Act of 1960, the decrease in the allowable credit would apply to the taxable year beginning with the fourth consecutive January 1 after the date of the advance. If the advance was made on or after September 13, 1960, the decrease in allowable credit would apply to the taxable year beginning with the second January 1 after the date of the advance.

Employer contributions.—The standard rate of contributions under all but five State laws is 2.7 percent, the maximum allowable credit against the Federal tax. In Alaska, the standard rate is 2.9 percent; New Jersey, 2.8; North Dakota, 4.2; Pennsylvania, 4.0; and South Dakota, 3.6. Individual employers in all States may pay at reduced rates of contributions under experience-rating provisions, described below.

Except in nine States the employer's contribution, like the Federal tax, is based on the first $3,000 paid to (or earned by) a worker within a calendar year; in Delaware, Hawaii, Massachusetts, Nevada, Oregon, Rhode Island, and West Virginia, the contribution is based on the first $3,600 per year; in California on the first $3,800; and in Alaska on the first $7,200. Thirty States (see table 3) have included provisions which, in effect, would automatically extend the employer's contribution liability to include all remuneration for service which may be taxed under the Federal Unemployment Tax Act; however, the Maryland provision would limit the extension to $3,600.

Most States follow the Federal pattern in excluding from taxable wages payments by the employer of the employees' tax for Federal old-age and survivors insurance, and payments from or to certain special benefit funds for employees. Under the State laws, wages include the cash value of remuneration paid in any medium other than cash and, in many States, gratuities received in the course of employment from other than the regular employer.

In every State an employer is subject to certain interest and/or penalty payments for delay or default in payment of contributions, and usually he incurs penalties for failure or delinquency in making reports. In addition, the State administrative agencies have legal recourse to collect contributions, usually involving jeopardy assessments, levies, judgments, liens, and civil suits.

The employer who has overpaid is entitled to a refund in every State. Such refunds may be made within time limits ranging from 1 to 6 years; in two States no limit is specified.

Employee contributions.—Only Alabama, Alaska, and New Jersey collect employee contributions and of the nine States [1] which formerly collected such contributions only Alabama and New Jersey do so now. In Alabama and New Jersey the tax is on the first $3,000 received from one or more employers in a calendar year and in Alaska on the first $7,200. The employee contributions are deducted by the employer from the workers' pay and sent with his own contribution to the State agency. In Alabama the employee contribution for unemployment insurance is 0.25 percent; it is increased to 0.5 percent

[1] Alabama, California, Indiana, Kentucky, Louisiana, Massachusetts, New Hampshire, New Jersey, and Rhode Island.

if, under specified fund conditions, the employer's rate is at the maximum. In Alaska the standard employee rate is 0.6 percent; under the experience-rating system, the employee contribution rates vary from 0.3 percent to 0.9 percent, as the employer's rate varies from the minimum to the maximum. In New Jersey employees pay 0.25 percent for unemployment insurance purposes and 0.5 percent for disability insurance purposes. California and Rhode Island collect employee contributions for a related system of disability insurance.

Financing of administration.—The Social Security Act undertook to assure adequate provision for administering the unemployment insurance program in all States by authorizing Federal grants to States to meet the total cost of "proper and efficient administration" of approved State unemployment insurance laws. Thus, the States have not had to collect any tax from employers or to make any appropriations from general State revenues for the administration of the unemployment insurance program.

Receipts from the residual Federal unemployment tax—0.3 percent of taxable wages through calendar year 1960 and 0.4 percent thereafter—are automatically appropriated and credited to the employment security administration account in the Federal Unemployment Trust Fund. Congress appropriates annually from this account the funds necessary for administering the Federal-State employment security program. At the end of a fiscal year, any excess of the current net balance of the administration account over the highest previous year-beginning net balance is used first to increase the Federal unemployment account (see p. 17) to a maximum of $550 million, or 0.4 percent of the aggregate State taxable wages for the preceding calendar year, whichever is greater. If the Federal unemployment account is at its maximum at the end of a fiscal year, available excesses are to be used to increase the employment security administration account to a maximum balance of $250 million as of the beginning of the succeeding fiscal year. Thereafter, except as necessary to maintain the legal maximum balances in these two accounts, excess tax collections are to be allocated to the accounts of the States in the Unemployment Trust Fund in the same proportion that their covered payrolls bear to the aggregate of all States.

The sums allocated to States' trust accounts are to be generally available for benefit purposes. Under specified conditions a State may, however, through a special appropriation act of its legislature, utilize the allocated sums to supplement Federal administrative grants in financing its operations. Thirty-nine [2] States have amended their unemployment insurance laws to permit use of some of such sums for

[2] All States except Colorado, Delaware, District of Columbia, Illinois, Nevada, New Hampshire, North Carolina, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Dakota, and Vermont.

administrative purposes, and most States have appropriated funds for buildings, supplies, and other administrative expenses.

Special State funds.—Thirty-seven[3] States have set up special administrative funds, made up usually of interest on delinquent contributions, fines and penalties, to meet special needs. The most usual statement of purpose includes one or more of these three items: (1) to cover expenditures for which Federal funds have been requested but not yet received, subject to repayment to the fund; (2) to pay costs of administration found not to be properly chargeable against funds obtained from Federal sources; and (3) to replace funds lost or improperly expended for purposes other than, or in amounts in excess of, those found necessary for proper administration. Nine of these 37 States provide for the use of such funds for the purchase of land and erection of buildings for agency use, and North Carolina, for enlargement, extension, repairs, or improvement of buildings. In eight States the fund is limited; when it exceeds a specified sum ($1,000 to $100,000) the excess is transferred to the unemployment compensation fund.

Type of Fund

The first State system of unemployment insurance in this country (Wisconsin) set up a separate reserve for each employer. To this reserve were credited the contributions of the employer, and from it were paid benefits to his employees so long as his account had a credit balance. Most of the States enacted "pooled-fund" laws on the theory that the risk of unemployment should be spread among all employers and that workers should receive benefits regardless of the balance of the contributions paid by the individual employer and the benefits paid to his workers. All States now have pooled unemployment funds.

Experience Rating

All State laws, except Puerto Rico, have in effect some system of experience rating by which individual employers' contribution rates are varied from the standard rate on the basis of their experience with unemployment risk. Alaska repealed its experience-rating provision effective January 1, 1955, and adopted a new provision effective October 1, 1960.

Federal requirements for experience rating.—State experience-rating provisions have developed on the basis of the additional credit provisions of the Social Security Act, now the Federal Unemploy-

[3] All States except Alabama, Alaska, Delaware, District of Columbia, Hawaii, Iowa, Massachusetts, Mississippi, Montana, North Dakota, Oklahoma, Oregon, Puerto Rico, Rhode Island, South Carolina, and South Dakota.

ment Tax Act, as amended in 1939 and 1954. The Federal requirements differ according to the type of fund provided in the State law. In States with pooled-fund laws the Federal law allows employers additional credit for a lowered rate of contribution if the rates were based on not less than 3 years of "experience with respect to unemployment or other factors bearing a direct relation to unemployment risk." This requirement was modified by amendment in 1954 which authorized the States to extend experience-rating tax reductions to new and newly covered employers after they have had at least 1 year of such experience.

State requirements for experience rating.—In most States 3 years of experience with unemployment means more than 3 years of coverage and contribution experience. Factors affecting the time required to become a "qualified" employer include (1) the coverage provisions of the State law ("at any time" vs. 20 weeks; see table 1); (2) in States using benefits or benefit derivatives in the experience-rating formula, the type of base period and benefit year and the lag between these two periods, which determine how soon a new employer may be charged for benefits; (3) the type of formula used for rate determinations; and (4) the length of the period between the date as of which rate computations are made and the effective date for rates.

Types of Formulas for Experience Rating

Under the general Federal requirements, the experience-rating provisions of State laws vary greatly, and the number of variations increases with each legislative year. The most significant variations grow out of differences in the formulas used for rate determinations. The factor used to measure experience with unemployment is the basic variable which makes it possible to establish the relative incidence of unemployment among the workers of different employers. Differences in such experience represent the major justification for differences in tax rates, either to provide an incentive for stablization of employment or to allocate the cost of unemployment. At present there are five distince systems, usually identified as reserve-ratio, benefit-ratio, benefit-wage-ratio, compensable-separations, and payroll-decline formulas. A few States have combinations of the systems.

In spite of significant differences, all systems have certain common characteristics. All formulas are devised to establish the relative experience of individual employers with unemployment or with benefit costs. To this end, all have factors for measuring each employer's experience with unemployment or benefit expenditures, and all compare this experience with a measure of exposure—usually payrolls—to establish the relative experience of large and small employers. However, the five systems differ greatly in the construction of the formulas,

Table 7.—Summary of experience-rating provisions, 51 States [1]

State	Type of experience rating: Reserve ratio (33 States)	Benefit ratio (6 States)	Benefit wage ratio (6 States)	Payroll declines (6 States)	Number of schedules of reduced rates	Most favorable schedule: Number of reduced rates	Minimum rate (percent)	Maximum reduced rate (percent)	Maximum possible rate (percent)	Voluntary contributions permitted (26 States)
Alabama			X		[2] 1	9	0.5	2.5	3.6	
Alaska				Quarterly	1	4	1.5	2.4	4.0	
Arizona	X				(3)	10	.1	(3)	2.7	X
Arkansas	X				2	13	.1	2.5	2.7	[4] X
California	X				3	12	[5] .3	[5] 2.5	[5] 3.0	
Colorado	X				7	2	0	.5	2.7	X
Connecticut [6]					[7] 6	12	.25	.8	2.7	
Delaware			X		[2] 1	26	[5] .1	[5] 2.6	[5] 3.0	
District of Columbia	X				26	5	.1	2.0	2.7	
Florida		X			(8)	27	0	2.6	2.9	
Georgia	X				1	10	.25	2.5	[9] 2.7	
Hawaii	X				1	6	0	2.25	2.7	X
Idaho	X				5	12	[9] .3	[9] 2.4	[9] 2.7	
Illinois			X		[2] 1	26	.1	2.6	4.0	
Indiana	X				1	5	.1	2.0	2.7	X
Iowa	X				3	16	0	2.5	2.7	X
Kansas	X				(3)	14	0	(3)	2.7	[4] X
Kentucky	X				3	6	0	2.1	4.2	X
Louisiana	X				5	7	.1	1.8	2.7	
Maine	X				4	15	.5	2.4	2.7	X
Maryland		X			5	9	[5] 0	[5] 2.4	[5] 3.9	
Massachusetts	X				7	11	.5	2.5	4.1	
Michigan	X				[7] 3	14	[5] 0	[5] 2.5	[5] 4.0	X
Minnesota		X			3	13	.1	2.5	3.0	X
Mississippi				Quarterly	4	6	.6	2.3	2.7	
Missouri	X				4	12	0	2.0	[9] 4.4	X
Montana				Annual [10]	2	11	.5	2.5	2.7	[4] X
Nebraska	X				(11)	(11)	(11)	(11)	2.7	X
Nevada	X				1	9	.1	2.4	2.7	
New Hampshire	X				2	8	.5	2.5	2.7	
New Jersey	X				5	8	.4	2.5	4.2	X
New Mexico	X				3	9	.1	2.4	2.7	
New York	[10] X			Annual and quarterly.[7 10]	8	18	[5] 0	[5] 2.3	[5 7] 3.2	X
North Carolina	X				8	15	.1	2.5	3.7	X
North Dakota	X				8	13	.3	2.7	4.2	X
Ohio	X				5	11	.1	2.0	3.2	X
Oklahoma			X		[2] 4	13	.2	2.6	2.7	
Oregon	X				1	4	1.2	2.3	2.7	[4] X
Pennsylvania		[10] X			(8)	26	[5] .1	[5] 3.9	[5] 4.0	X
Rhode Island	X				1	27	[5] 0	[5] 2.6	[5] 2.7	
South Carolina	X				4	7	.25	2.35	4.1	X
South Dakota	X				13	8	0	3.0	4.1	X
Tennessee	X				4	8	.5	2.4	[9] 3.5	
Texas			X		(12)	(12)	(12)	(12)	(12)	
Utah				Annual and quarterly.[10]	(13)	(13)	(13)	(13)	2.7	
Vermont		X			6	7	.2	2.3	2.7	
Virginia			X		(7)(14)	26	.1	2.6	2.7	
Washington				Annual	(15)	(15)	(15)	(15)	2.7	
West Virgina	X				6	14	0	2.5	2.7	X
Wisconsin	X				[7] 3	7	0	2.4	[10] 4.0	X
Wyoming		X			4	10	0	2.4	2.7	[4] X

[1] Excludes Puerto Rico which has no experience-rating provision. Figures given apply to employers with 3 or more years of experience. See tables 8–15 for more detailed analysis of experience-rating provisions.

[2] 1 to 4 rate schedules specified, but many schedules of different requirements for specified rates applicable with different "State experience factors."

[3] Laws include 1 basic schedule with 10 reduced rates in Arizona and 14 in Kansas. When fund is within specified reserve-ratio brackets, individual employers' rates are to be adjusted up or down to produce average rates of 1.8, 1.5, 1.25, 1.0, and 0.8 percent in Arizona, and 1.6, 1.4, 1.2, 1.0, 0.8, 0.6, and 0.4 percent in Kansas; hence number of schedules is in practice indeterminate.

[4] Voluntary contributions are limited to amount of benefits charged during preceding calendar year (Arkansas) or during the experience period (Wyoming); reduction in rate because of voluntary contributions limited to 0.5 percent (Kansas) and to one step (Oregon). Voluntary contributions allowed only if benefit charges exceeded contributions in last 3 years (Montana).

(Footnotes continued on page 23)

in the factors used to measure experience and the methods of measurement, in the number of years over which the experience is recorded, in the presence or absence of other factors, and in the relative weight given the various factors in the final assignment of rates.

Reserve-ratio formula.—The reserve ratio was the earliest of the experience-rating formulas and continues to be the most popular. It is now used in 33 States (table 7). Regardless of the type of fund, the formulas are the same. The system is essentially cost accounting. On each employer's record are entered the amount of his payroll, his contributions, and the benefits paid to his workers. The benefits are subtracted from the contributions, and the resulting balance is divided by the payroll to determine the size of the balance in terms of the potential liability for benefits inherent in wage payments. The balance carried forward each year under the reserve-ratio plan is ordinarily the difference between the employer's total contributions and the total benefits received by his workers since the law became effective. In the District of Columbia, Idaho, and Louisiana, contributions and benefits are limited to those since a certain date in 1939, 1940, or 1941, and in Rhode Island they are limited to those since October 1, 1958. In Missouri they may be limited to the last 5 years if that works to an employer's advantage. Michigan excludes the year 1938 and a specified portion of benefits for the year ended September 30, 1946 (table 9).

The payroll used to measure the reserves is ordinarily the last 3 years but Massachusetts, Michigan, New York, South Carolina, and Ten-

(Footnotes for Table 7)

[5] Additional contribution at uniform rate: 0.5 percent of all employers (California); under specified fund conditions, 0.1 to 1.5 percent (Delaware); at specified solvency or general account levels, 0.1 to 0 5 percent (Michigan), 0 2 to 1.0 percent (New York), and 0.1 to 0.6 percent (Rhode Island). See also footnote 8, below.

[6] Compensable separations formula. See text for details.

[7] Secondary adjustment is made by issuance of credit certificates when fund exceeds 4.25 percent of 3-year payroll and contributions in last year exceed benefits by $500,000 (Connecticut); by transfer, to accounts of employers who have paid emergency contributions, of specified amounts from the solvency account when its adjusted balance on Dec. 31 exceeds $20 million (Michigan); by transfer, from each employer's account to the general account, of an amount equal to 0.1 to 0 5 percent of his payroll for last calendar year, depending on condition of the general account on June 30 (New York); and by allowing a credit of 20 and 40 percent of contributions in next calendar year when fund equals or exceeds 7.00 and 7.25 percent, respectively, of average taxable payrolls in last 3 years (Virginia); by diverting $5 million from accounts of employers with positive balances to balancing account when its balance falls below $10 million (Wisconsin).

[8] Formula provides, in addition to rate based on employer's experience, an annually computed rate which allocates the cost of noncharged and ineffectively charged benefits to all employers (Maryland); to all rated employers (Florida and Pennsylvania). Maximum total rate in Maryland may not exceed 4.2 percent.

[9] Maximum rate to be increased to 4.2 percent, Jan. 1, 1963 (Georgia); to 4 0 percent, July 1, 1963 (Tennessee); by 0.3 percent annually up to 5.0 percent for 1964, and 4.1 percent thereafter (Missouri). Rates shown do not reflect 25 percent increase applicable to all employers in 1961 and 1962 (Idaho).

[10] Formula includes duration of liability (Montana, New York, Utah), ratio of benefits to contributions (Montana), and reserve ratio (Pennsylvania).

[11] Rates set by rule in accordance with authorization in law.

[12] Indefinite number of schedules; each employer's rate is reduced by 0.1 percent for each $5 million by which the fund exceeds $300 million and increased by 0.1 percent for each $5 million under $225 million. Maximum rate, set by regulation, could be increased to 7.2 percent if fund is exhausted.

[13] No rate schedules in law; rates determined by distribution of surplus, in specified proportions, to employers in the first 9 of the 10 experience classes set forth in law.

[14] Indefinite number of schedules; when fund falls below 5.0 percent of taxable payrolls, rates are increased by ¼ of the difference between fund balance and 6.0 percent of taxable payrolls, rounded to nearest 0 1 percent.

[15] No rate classes. Contributions are reduced by credit certificates. If the credit certificates equal or exceed an employer's contribution for the next year, he has, in effect, a zero rate.

[16] Limited to 3.0 percent in an employer's 4th year of liability.

Table 8.—Computation date, effective date for new rates, and minimum period of experience required under State experience-rating provisions

State	Computation date	Effective date for new rates	*Minimum period of experience required for newly covered employers*	
			At least 3 years	Less than 3 years [1]
Alabama	Dec. 31 [2]	Apr. 1 [2]		1 year.
Alaska	June 30	Jan. 1		1 year.
Arizona	July 1 [2]	Jan. 1 [2]	X	
Arkansas	Dec. 31	Apr. 1		1 year.
California	June 30	Jan. 1	X	
Colorado	July 1	Jan. 1		18 months [3]
Connecticut	June 30	Jan. 1		1 year [1]
Delaware	Oct. 1	Jan 1		33 months.
District of Columbia	June 30	Jan. 1	X	
Florida	Dec. 31	Jan. 1	X	
Georgia	Dec. 31 [2]	Jan. 1 [2]		1 year.
Hawaii	Dec. 31	Jan. 1		1 year.
Idaho	June 30	Jan. 1		2½ years [1]
Illinois	June 30	Jan. 1		3 years.[1]
Indiana	June 30	Jan. 1		36 months.[1]
Iowa	Oct. 1	Jan. 1	X	
Kansas	June 30	Jan. 1		1 year.
Kentucky	Dec. 31	Jan. 1	X	
Louisiana	June 30	Jan. 1	X	
Maine	Dec. 31	July 1	X	
Maryland	Mar. 31	July 1		1 year.
Massachusetts	Sept. 30	Jan. 1		1 year.
Michigan	June 30 [2]	Jan. 1		2 years.[1]
Minnesota	June 30	Jan. 1		1 year.
Mississippi	June 30	Jan. 1		1 year.[4]
Missouri	June 30	Jan. 1	X	
Montana	June 30	Jan. 1	X	
Nebraska	Dec. 31	Jan. 1		1 year.[1]
Nevada	June 30	Jan. 1		2½ years.
New Hampshire	Dec. 31	July 1		1 year.
New Jersey	Dec. 31	July 1	X	
New Mexico	June 30	Jan. 1	X	
New York	July 1	Jan. 1		1 year.
North Carolina	Aug. 1	Jan. 1		1 year.
North Dakota	Dec. 31	Jan. 1		1 year.
Ohio	July 1	Jan. 1	X	
Oklahoma	Dec 31	Jan. 1		1 year.
Oregon	June 30	Jan. 1		1 year.
Pennsylvania	June 30	Jan. 1		18 months.[1]
Rhode Island	Sept. 30	Jan. 1	X	
South Carolina	July 1 [2]	Jan. 1 [2]		2 years.[1]
South Dakota	Dec. 31	Jan. 1		2 years.
Tennessee	Dec. 31	July 1	X	
Texas	Oct. 1 [2]	Jan. 1 [2]		1 year.
Utah	Jan. 1	Jan. 1	X	
Vermont	Dec. 31	Jan. 1		1 year.
Virginia	June 30	Jan. 1		1 year.
Washington	Jan. 1	June 30		2 years.[1]
West Virginia	June 30	Jan. 1	X	
Wisconsin	June 30 [2]	Jan. 1		2 years.[1]
Wyoming	June 30	Jan. 1	X	

[1] Period shown is period throughout which employer's account was chargeable or during which payroll declines were measurable. In States noted, requirements for experience rating are stated in the law in terms of subjectivity (Connecticut, Indiana, and Michigan); in which contributions are payable (Idaho, Illinois, Pennsylvania, and Washington); coverage (South Carolina); or, in addition to the specified period of chargeability, contributions payable in the 2 preceding calendar years (Nebraska) and 3 calendar years (Wisconsin).

[2] Computation date is Dec. 31 of employer's 2d, 3d, and 4th consecutive years of coverage (Michigan) and 3d contribution year (Wisconsin). For newly qualified employers, computation date is end of quarter in which they meet experience requirements and effective date is beginning of 2d following quarter (Alabama) or of immediately following quarter (Arizona, Georgia, South Carolina, and Texas).

[3] If employer becomes subject in the 2d half of year; otherwise 24 months.

[4] To establish eligibility, employing unit need not have been covered if records of payrolls for the entire period are produced at time of coverage.

nessee figure reserves on the last year's payrolls only. Idaho and Nebraska use 4 years. Arkansas gives the employer the advantage of the lesser of the average 3- or 5-year payroll, or, at his option, the last year's payroll. Rhode Island uses the last year's payroll or the average of the last 3 years, whichever is lesser. New Jersey protects the fund by using the higher of the average 3- or 5-year payroll, and Wisconsin the higher of last year's payroll or 20 percent of his payroll for the preceding year. The payroll factor in Hawaii and Oregon is adjusted for employers with less than 3 years of experience.

The employer must accumulate and maintain a specified reserve before his rate is reduced; then rates are assigned according to a schedule of rates for specified ranges of reserve ratios; the higher the ratio, the lower the rate (tables 14 and 15). The formula is designed to make sure that no employer will be granted a rate reduction unless over the years he contributes more to the fund than his workers draw in benefits. As the funds available for benefits have increased, the rates for a given reserve have been decreased, but in 26 of the 33 States (table 7) provision has been made for one or more additional schedules of higher rates should the State funds decrease.

Benefit-ratio formula.—The benefit-ratio formula also uses benefits as the measure of experience but eliminates contributions from the formula and relates benefits directly to payrolls. It is used in six States (table 7). The ratio of benefits to payrolls is the index for rate variation. The theory is that, if each employer pays a rate which approximates his benefit ratio, the program will be adequately financed. In four of the six States rates are further varied by the inclusion in these formulas of three or more schedules, effective at specified levels of the State fund in terms of dollar amounts or a proportion of payrolls. In Florida an employer's benefit ratio becomes his contribution rate after it has been adjusted by three factors: noncharged benefits, excess payments, and balance of fund. The first two of these factors are added to each employer's benefit ratio, and the third is either added or deducted, depending on the fund balance. In Pennsylvania rates are determined on the basis of three factors: funding, experience, and State adjustment.

Benefit-wage-ratio formula.—The benefit-wage formula, in use in six States, is radically different. It makes no attempt to measure all benefits paid to the workers of individual employers. The relative experience of employers is measured by the separations of workers which result in benefit payments, but the duration of their benefits is not a factor. The separations, weighted with the wages earned by the workers with each base-period employer, are recorded on each employer's experience-rating record as "benefit wages." Only one separation per beneficiary per benefit year is recorded for any one employer, but the charging of any benefit wages has been postponed

Table 9.—Years of benefits, contributions, and payrolls used in computing rates of employers with at least 3 years of experience, by type of experience-rating formula [1]

State	Years of benefits used [2]	Years of payrolls used [3]
	Reserve-ratio formula [1]	
Arizona	All past years	Average 3 years.[3]
Arkansas [1]	All past years	Average last 3 or 5 years.[4]
California	All past years	Average 3 years.[3]
Colorado	All past years	Average 3 years.
District of Columbia	All since July 1, 1939	Average 3 years.[3]
Georgia [1]	All past years	Average 3 years.
Hawaii [1]	All past years	Average 3 years.
Idaho	All since Jan. 1, 1940	Average 4 years.
Indiana	All past years	Aggregate 3 years.
Iowa	All past years	Average 3 years.
Kansas [1]	All past years	Average 3 years.[3]
Kentucky	All past years	Aggregate 3 years.
Louisiana	All since Oct. 1, 1941	Average 3 years.
Maine	All past years	Average 3 years.
Massachusetts [1]	All past years	Last year.
Michigan [1]	All past years [2]	Last year.
Missouri	All past years	Average 3 years.
Nebraska	All past years	Average 4 years.
Nevada	All past years	Average 3 years.
New Hampshire [1]	All past years	Average 3 years.
New Jersey	All past years	Average last 3 or 5 years.[4]
New Mexico	All past years	Average 3 years.
New York	All past years	Last year.[3]
North Carolina [1]	All past years	Aggregate 3 years.
North Dakota [1]	All past years	Average 3 years.
Ohio	All past years	Average 3 years.
Oregon [1]	All past years	Average 3 years.
Rhode Island	All since Oct. 1, 1958	Last year or average 3 years.[5]
South Carolina	All past years	Last year.
South Dakota [1]	All past years	Aggregate 3 years.
Tennessee	All past years	Last year.
West Virginia	All past years	Average 3 years.
Wisconsin	All past years	Last year.
	Benefit-contribution-ratio formula [1]	
Montana	Last 3 years [2]	
	Benefit-ratio formula	
Florida	Last 3 years	Last 3 years.[3]
Maryland [1]	Last 3 years	Last 3 years.[3]
Minnesota [1]	Last 3 years	Last 3 years.
Pennsylvania [1]	Average 3 years	Average 3 years.
Vermont [1]	Last 3 years	Last 3 years.
Wyoming	Last 3 years	Last 3 years.
	Benefit-wage-ratio formula	
Alabama [1]	Last 3 years	Last 3 years.
Delaware	Last 3 years	Last 3 years.
Illinois [1]	Last 3 years	Last 3 years.
Oklahoma [1]	Last 3 years	Last 3 years.
Texas [1]	Last 3 years	Last 3 years.
Virginia [1]	Last 3 years	Last 3 years.
	Compensable-seperations formula	
Connecticut [1]	Last 3 years	Aggregate 3 years.[3]
	Payroll-declines formula [1]	
Alaska		Last 3 years.
Mississippi [1]		Last 3 years.
Utah		Last 3 years.
Washington [1]		Last 3 years.

(Footnotes on page 27)

until benefits have been paid in the State specified: Alabama and Oklahoma, until payment is made for the second week of unemployment; in Illinois and Virginia, until the benefits paid equal three times the weekly benefit amount. The index which is used to establish the relative experience of employers is the proportion of each employer's payroll which is paid to those of his workers who become unemployed and receive benefits, i.e., the ratio of his "benefit wages" to his total taxable wages.

The formula is designed to assess variable rates which will raise the equivalent of the total amount paid out as benefits. The percentage relationship between total benefit payments and total benefit wages in the State during 3 years is determined. This ratio, known as the "State experience factor," means that, on the average, the workers who drew benefits received a certain amount of benefits for each dollar of benefit wages paid and the same amount of taxes per dollar of benefit wages is needed to replenish the fund. The total amount to be raised is distributed among employers in accordance with their benefit-wage ratios; the higher the ratio, the higher the rate.

Individual employers' rates are determined by multiplying the employer's experience factor by the State experience factor. The multiplication is facilitated by a table which assigns rates which are the same as, or slightly more than, the product of the employer's benefit-wage ratio and the State factor. The range of the rates is, however, limited by a minimum and maximum. The minimum and the rounding upward of some rates tend to increase the amount which would be raised if the plan were effected without the table; the maximum, however, decreases the income from employers who would otherwise have paid higher rates.

Compensable-separations formula.—Like the States with benefit-wage formulas, Connecticut uses compensable separations as a measure of employers' experience with unemployment. A worker's separation is weighted by his weekly benefit amount, and that amount is entered on the employer's experience-rating record. The employer's aggregate payroll for 3 years is then divided by the sum of the entries over the 3 years to establish his index. For newly subject employers the payroll and entries for the period of subjectivity are used to establish the "merit-rating index." Rates are assigned on the basis of an array of payrolls in the order of the indexes, the lowest rates

(Footnotes for Table 9)

[1] Including New York with reserve ratio and Montana with benefit-contribution ratio, rather than payroll declines. In States noted, statute specifies the method of computing rates for employers with less than 3 years of experience.

[2] In reserve-ratio States and in Montana, years of contributions used are same as years of benefits used. Michigan excludes 1938 and a specified portion of benefits for the year ended Sept. 30, 1946.

[3] Years immediately preceding or ending on computation date. In States noted, years ending 3 months before computation date (District of Columbia, Florida, and Maryland) or 6 months before such date (Arizona, California, Connecticut, Kansas, and New York).

[4] Whichever is lesser (Arkansas and Rhode Island); whichever is higher (New Jersey). Employers with 3 or more years' experience may elect to use the last year (Arkansas)

to those with the highest indexes. Six different schedules are provided, depending on the ratio of the fund to the 3-year payroll (1.25 to 4.25 percent) and a further reduction of rates is provided if the balance in the fund exceeds 4.25 percent of the last 3 years' payrolls and the last year's contributions plus interest credited exceed the benefits for the same period by at least $500,000. The excess is distributed to all employers who qualify for a rate reduction, in proportion to their last year's payrolls, in the form of credit memoranda applicable on next year's contributions.

Payroll variation plan.—The payroll variation plan is independent of benefit payments to individual workers; neither benefits nor any benefit derivatives are used to measure unemployment. An employer's experience with unemployment is measured by the decline in his payrolls from quarter to quarter or from year to year. The declines are expressed as a percentage of payrolls in the preceding period, so that experience of employers with large and small payrolls may be compared. If an employer's payroll shows no decrease or only a small percentage decrease over a given period, he will be eligible for the largest proportional reductions.

Alaska and Mississippi measure the stability of payrolls from quarter to quarter over a 3-year period; the changes reflect changes in general business activity and also seasonal or irregular declines in employment. Washington measures the last 3 years' annual payrolls on the theory that over a period of time the greatest drains on the fund result from declines in general business activity. In all three States newly covered employers may qualify for reduced rates if they have had experience for a period of at least 1 year.

Utah measures the stability of both annual and quarterly payrolls and, as a third factor, the duration of liability for contributions, commonly called the "age" factor. Employers are given additional points if they have paid contributions over a period of years because of the unemployment which may result from the high business mortality which often characterizes new businesses. Montana also has three factors: annual declines, age, and a ratio of benefits to contributions; no reduced rate is allowed to an employer whose last 3-year benefit payments have exceeded his contributions. New York has four factors: reserve ratio, quarterly payroll declines, annual payroll declines, and age of business. The reserve ratio is the principal determinant of rates since it accounts for 0–16 points and the other three factors for 0–2 points each.

The payroll variation plans use a variety of methods for reducing rates. Alaska arrays employers according to their average quarterly decline quotients and groups them on the basis of cumulative payrolls in 10 classes for which rates are specified in a schedule. In Mississippi

Table 10.—Transfer of experience for employer rates, 51 States [1]

State	Total transfers: Mandatory (34 States)	Total transfers: Optional (17 States)	Partial transfers: Mandatory (13 States)	Partial transfers: Optional (26 States)	Enterprise must be continued (25 States)	Rate for successor [2]: Previous rate continued (29 States)	Rate for successor [2]: Based on combined experience (21 States)
Alabama	X		X				X
Alaska [3]	X						X
Arizona	X			X	X	X	
Arkansas	X			X	X	X	
California [3]		X		X	X		X
Colorado	X			X		X	
Connecticut		X					X
Delaware		[4] X			X		X
District of Columbia [3]	X		X		X	X	
Florida	X			X	X	X	
Georgia	X			X	X		X
Hawaii		X				X	
Idaho		X		X	X		X
Illinois	X			X		X	
Indiana	X			X	X	X	
Iowa	X				X		X
Kansas	X			X	X	X	
Kentucky	X		X			X	
Louisiana	X		X			X	
Maine	X						X
Maryland	X		X			X	
Massachusetts	X		X		X		X
Michigan [3]	X		X		X	X	
Minnesota [3]		X		X	X		X
Mississippi		X		[5] X		X	
Missouri	X		X		X		X
Montana	[6] X		[6] X			[4] X	
Nebraska	X			X			X
Nevada		[3] X		[3] X			X
New Hampshire	X			X	X	X	
New Jersey [3]	[7] X			X	X	X	
New Mexico	X			[8] X		X	
New York	X		X		X		X
North Carolina		X		X	X	X	
North Dakota		X				X	
Ohio		X		X	X	X	
Oklahoma	X			X	X		X
Oregon	X					X	
Pennsylania		X		X	X	X	
Rhode Island		X		[5] X		X	
South Carolina	X			X	X		X
South Dakota		X					X
Tennessee		X		X			X
Texas		X		X	X	X	
Utah	X		[6] X			[9] X	
Vermont	X						X
Virginia		X		X		X	
Washington	X		X			(10)	(10)
West Virginia	X					X	
Wisconsin	X		X		X		X
Wyoming	X					X	

[1] Excluding Puerto Rico which has no experience rating provision.
[2] Rate for remainder of rate year for a successor who was an employer prior to the acquisition.
[3] No transfer may be made if it is determined that acquisition was made solely for purpose of qualifying for a reduced rate (Alaska, California, and Nevada); if purpose was to avoid rate higher than 2.7 percent (Minnesota); if successor is not a liable employer and does not elect coverage or if total wages allocable to transferred property are less than $10,000 (Michigan) or less than 25 percent of predecessor's total (District of Columbia); if transfer would be inequitable (Minnesota); unless agency finds employment experience of the enterprise transferred may be considered indicative of the future employment experience of the successor (New Jersey).
[4] Transfer is limited to one in which there is reasonable continuity of ownership and management.
[5] Partial transfers are limited to transfers of separate establishments for which separate payrolls have been maintained.
[6] Optional (by regulation) if successor was not an employer.
[7] Successor may reject transfer within 4 months.
[8] By regulation.
[9] A rated (qualified) employer pays at previously assigned rate; an unrated but subject employer pays at a rate based on combined experience.
[10] Not applicable. All employers pay rate of 2.7 percent; qualified employers receive credit against contributions due for employment in remainder of year in lieu of reduced rates.

rates are determined by schedule for specified average quarterly decline quotients. Montana classifies employers in 12 classes and assigns rates designed to yield a specified percent of payrolls varying with the fund balance. Washington determines the surplus reserves as specified in the law [4] and distributes the surplus in the form of credit certificates applicable to the employer's next year's tax (tables 7 and 12). The amount of each employer's credit depends on the points assigned him on the basis of his sum of annual decline quotients. These credit certificates reduce the amount rather than the rate of his tax; their influence on the rate depends on the amount of his next year's payrolls.

In Utah, employers are grouped in 10 classes according to their combined experience factors, and the surplus is assigned to the first nine classes by specified weights, multipled by the taxable wages of each group of employers. The surplus assigned to the class is subtracted from 2.7 percent of the taxable wages of the class, and the contribution balance for the class is translated into a contribution rate for each class.

Transfer of Employers' Experience

Because of Federal requirements, no employer can be granted a reduced rate unless the agency has at least a 1-year record of his experience with the factors used to measure unemployment. Without such a record there would be no basis for rate determination. For this reason all State laws specify the conditions under which the experience record of a predecessor employer may be transferred to an employer who, through purchase or otherwise, acquires the predecessor's business. In 12 States (table 10) the authorization for transfer of the record is limited to total transfers; i.e., the record may be transferred only if a single successor employer acquires the predecessor's organization, trade, or business and substantially all its assets. In the other 39 States the provisions authorize partial as well as total transfers; in these States, if only a portion of a business is acquired by any one successor, that part of the predecessor's record which pertains to the acquired portion of the business may be transferred to the successor.

In 34 States the transfer of the record in cases of total transfer automatically follows whenever all or substantially all of a business is transferred. In 17 States the transfer is not made unless the employers concerned request it. Of the 39 States providing for partial transfers, 13 make the partial transfer mandatory and 26 optional. Fourteen of these latter 26 combine mandatory total transfers with optional partial transfers.

Under most of the laws, transfers are made whether the acquisition is the result of reorganization, purchase, inheritance, receivership, or

[4] See table 12, footnote 12.

any other cause. Delaware, however, permits transfer of the experience record to a successor only when there is reasonable continuity of ownership and management.

Some States condition the transfer of the record on what happens to the business after it is acquired by the successor. For example, in 25 States there can be no transfer if the enterprise acquired is not continued (table 10); in 4 of these States (District of Columbia, Massachusetts, New York, and Wisconsin) the successor must employ substantially the same workers. In 18 States [5] transfer of the experience record is conditioned upon the successor's assumption of liability for the predecessor's unpaid contributions.

Most States establish by statute or regulation the rate to be assigned the successor employer from the date of the transfer to the end of the rate year in which the transfer occurs. The rate assignments vary with the status of the successor employer prior to his acquisition of the predecessor's business. Twenty-nine States provide that an employer who has a rate based on his own experience with unemployment may continue to pay that rate; 21 others, that he be assigned a new rate based on his own record combined with the acquired record (table 10).

Differences in Charging Methods

Various methods are used to identify the employer who will be charged with benefits when a worker becomes unemployed and draws benefits. Except in the case of very temporary or partial unemployment, compensated unemployment occurs after a worker-employer relationship has been broken. Therefore, the laws indicate in some detail which one or more of a claimant's former employers should be charged with his benefits. In the reserve-ratio and benefit-ratio States, it is the claimant's benefits which are charged; in the benefit-wage States, the benefit wages; in the compensable-separation State, the weekly benefit amount of separated employees. There is, of course, no charging of benefits in the payroll-decline systems.

In most States the maximum amount of benefits to be charged for any claimant is the maximum amount for which he is eligible under the State law. In Arkansas an employer who willfully submits false information on a benefit claim to evade charges is penalized by charging his account with twice the claimant's maximum potential benefits.

In the States with benefit-wage-ratio formulas, the maximum amount of benefit wages charged is usually the amount of wages required for maximum annual benefits; in Alabama and Delaware, the maximum taxable wages.

[5] Arkansas, District of Columbia, Florida, Idaho, Indiana, Iowa, Kentucky, Michigan, Missouri, Nebraska, New Hampshire, New Mexico, New York, Ohio, Oklahoma, South Carolina, West Virginia, and Wisconsin.

Table 11.—Employers charged and benefits excluded from charging, 47 States which charge benefits or benefit derivatives

State	Employers charged			Benefits excluded from charging				
	All base-period employers proportionately (23 States)	Base-period employers in inverse order of employment up to amount specified (14 States)	All charges to one employer specified (10 States)	Benefit award finally reversed (33 States)	Reimbursements under interstate wage combining plan (24 States)	*Major disqualification involved*		
						Voluntary leaving (37 States)	Discharge for misconduct (36 States)	Refusal of suitable work (9 States)
Alabama [1]	X			X	X	X	[3] X	
Arizona	X			X	X	[3] X	X	
Arkansas		*⅓ base period wages.*			X	X	X	
California	X			X	X	X	X	
Colorado		½ wages up to ½ of 32½ x current wba.		X	X	X	X	
Connecticut			1 or 2 most recent.[4]			X	X	X
Delaware [1]	X				X	X	X	
District of Columbia.	X				X			
Florida	[5] X			X		X	X	[2] X
Georgia	X			X	X	X	X	[2] X
Hawaii	X					X	X	
Idaho			Principal [6]	X	X	X	X	
Illinois [1]	X			X	X			
Indiana		¼ wages up to $237.50 per quarter.		X				
Iowa		⅓ wages up to $200 per quarter.		X	X			
Kansas	X					X	X	
Kentucky	X			X	X	X	X	
Louisiana	X							
Maine			Most recent [5]	X		X	X	[2] X
Maryland	([6])		Principal [6]		X	X	X	
Massachusetts		34% of base-period wages.				X	[3] X	
Michigan		⅗ credit weeks up to 39.		X	X			
Minnesota	[7] X			X	X	[3] X	X	[2] X
Missouri		⅓ base-period wages.[5]		X		[3] X	X	X
Montana			Most recent [5]	X		[3] X	X	
Nebraska		⅓ base-period wages.		X		X	X	
Nevada	X				X	X	X	
New Hampshire			Most recent [5]	X	[8] X	[3] X	X	
New Jersey		¾ base weeks up *to 35.*[9]		X				
New Mexico	X			X		X	X	
New York		Credit weeks up to 26.						
North Carolina	X			X	[8] X	X	X	
North Dakota	X			X		X	X	
Ohio		All base-period wages.		X	X			
Oklahoma [1]	X			X		X	X	
Oregon	X				[8] X	X	X	
Pennsylvania	X					X	X	
Rhode Island		⅗ credit weeks up to 42.		X	X	X	X	
South Carolina			Most recent [5]	X	X	X	X	X
South Dakota		In proportion to base-period wages *paid by employer.*		X		[3] X	X	
Tennessee	X			X		X	X	
Texas [1]	X			X		X	X	
Vermont			Most recent [5]			X	X	X
Virginia [1]			Most recent [5]	X	X			
West Virginia			Most recent [5]	X		X	X	X
Wisconsin		7/10 credit weeks up to 38.		X		X		
Wyoming	X			X	X	X	X	

(Footnotes on page 33)

Charging most recent employers.—In four States (Maine, New Hampshire, South Carolina, and West Virginia) with a reserve-ratio system, Vermont with a benefit-ratio, Virginia with a benefit-wage-ratio, Montana with a benefit-contributions-ratio, and Connecticut with a compensable-separation system, the most recent employer gets all the charges on the theory that he has primary responsibility for the unemployment.

All the States which charge all benefits to the last employer relieve, of these charges, an employer who gave a worker only casual or short-time employment. Maine limits charges to a claimant's most recent employer who employed him for more than 5 consecutive weeks; New Hampshire, more than 4 weeks; Virginia, more than 30 days; Montana, at least 3 weeks; and West Virginia, at least 30 days. South Carolina omits charges to employers who paid a claimant less than eight times his weekly benefit, and Vermont, less than $295.

Connecticut charges the one or two most recent employers who employed a claimant 4 weeks or more in the 8 weeks prior to separation.

Charging base-period employers in inverse chronological order.—Fourteen States limit charges to base-period employers but charge them in inverse order of employment (table 11). This method combines the theory that liability for benefits results from wage payments with the theory of employer responsibility for unemployment; responsibility for the unemployment is assumed to lessen with time, and the more remote the employment from the period of compensable unemployment, the less the probability of an employer's being charged. A maximum limit is placed on the amount that may be charged any one employer; when the limit is reached, the next previous employer is charged. The limit is usually fixed as a fraction of the wages paid by the employer or as a specified amount in the base period or in the

(Footnotes for Table 11)

[1] State has benefit-wage-ratio formula; except in Texas benefit wages are not charged for claimants whose compensable unemployment is of short duration (see p. 25).

[2] Omission of charge is limited to aggravated misconduct (Alabama) and to refusal of reemployment in suitable work (Florida, Georgia, Maine, and Minnesota).

[3] Charges are omitted also for claimants leaving for compelling personal reasons not attributable to employer and not warranting a disqualification (Arizona); for claimant convicted of a felony or misdemeanor (Massachusetts); if benefits are paid after separation because of pregnancy or marital obligations (Minnesota and South Dakota); for claimant leaving to accept a more remunerative job (Missouri); for claimant leaving most recent work to marry or move with husband and children or after a disqualification for leaving work because of pregnancy (Montana), during an uninterrupted period of unemployment after childbirth (New Hampshire).

[4] 1 or 2 employers who employed claimant in 4 or more calendar weeks in 8 weeks prior to any compensable separation. 90 to 15 percent of charges is canceled if employer rehires claimant after 1-6 weeks of benefits or claimant refuses offer of reemployment by employer charged.

[5] Charges are omitted for employers who paid claimant less than $20 (Florida); less than 8 times weekly benefit amount (South Carolina); less than $295 (Vermont); or who employed claimant less than 3 weeks (Montana, by regulation); not more than 4 consecutive weeks (New Hampshire), 5 weeks (Maine), 30 days (Virginia), or at least 30 days unless there has been subsequent employment in noncovered work for 30 days or more (West Virginia); or who employed claimant less than 3 weeks and paid him less than $120 (Missouri).

[6] Employer who paid largest amount of base-period wages (Idaho); 75 percent of base-period wages or benefits are charged proportionately to base-period employers (Maryland).

[7] An employer who paid 90 percent of a claimant's base-period wages in 1 base period is not charged for benefits based on earnings during the next 4 quarters unless he employed the claimant in some part of the 3d or 4th quarter following the base period. Charges omitted for employers who paid claimant less than the minimum qualifying wages.

[8] Charges omitted if claimant is paid less than minimum qualifying wages (New Hampshire, North Carolina, and Oregon); and for benefits in excess of the amount payable under State law (New Hampshire and Oregon).

[9] But not more than 50 percent of base-period wages if employer makes timely application.

quarter, or as a combination of the two. Usually the limit is the same as the limit on the duration of benefits in terms of quarterly or base-period wages (see p. 75).

In Michigan, New Jersey, New York, Rhode Island, and Wisconsin, the amount of the charges against any one employer is limited by the extent of the claimant's employment with that employer; i.e., the number of "credit weeks" he had earned with that employer. In New York, when a claimant's weeks of benefits exceed his weeks of employment, the charging formula is applied a second time—a week of benefits charged to each employer's account for each week of employment with that employer, in inverse chronological order of employment—until all weeks of benefits have been charged. In Missouri most employers who employ claimants less than 3 weeks and pay them less than $120 are skipped in the charging.

If a claimant's unemployment is short, or if the last employer in the base period employed him for a considerable part of the base period, this method of charging employers in inverse chronological order gives the same results as charging the last employer in the base period. If a claimant's unemployment is long, such charging gives much the same results as charging all base-period employers proportionately.

All the States which provide for charging in the inverse order of employment have determined, by regulation, the order of charging in case of simultaneous employment by two or more employers.

Charges in proportion to base-period wages.—On the theory that unemployment results from general conditions of the labor market more than from a given employer's separations, the largest number of States (23) charge benefits against all base-period employers in proportion to the wages earned by the beneficiary with each employer. These States include 14 with reserve-ratio formulas, 4 with benefit-ratio formulas, and 5 of the 6 States with a benefit-wage-ratio system.

Their charging methods assume that liability for benefits inheres in wage payments. So do those of the two States that charge all benefits to the principal employer. Idaho charges all benefits to the employer who paid a claimant the largest amount of base-period wages, and Maryland, to an employer who paid the claimant 75 percent of his base-period wages; otherwise the charges are prorated proportionately among all base-period employers.

In two of these States, employers who were responsible for a small amount of base-period wages are relieved of charges. In Florida an employer who paid a claimant less than $20 in the base period is not charged, and in Minnesota an employer who paid a claimant less than the minimum qualifying wages is not charged unless the employer, for the purpose of evading charges, separates employees for whom work is available.

Noncharging of Benefits

In many States there has been a tendency to recognize that the costs of benefits of certain types should not be charged to individual employers. This has resulted in "noncharging" provisions of various types in practically all State laws which base rates on benefits or benefit derivatives (table 11). In the States which charge benefits, certain benefits are omitted from charging as indicated below; in the States which charge benefit wages, certain wages are not counted as benefit wages. Such provisions are, of course, not applicable in the three States in which rate reductions are based solely on payroll decreases.

The omission of charges for benefits based on employment of short duration has already been mentioned (see p. 33, and footnote 5, table 11). The postponement of charges until a certain amount of benefits has been paid (pp. 25 and 27) results in noncharging of benefits for claimants whose unemployment was of very short duration. In 33 states, charges are omitted if benefits are paid on the basis of an early determination in an appealed case and the determination is eventually reversed. In 24 States, charges are omitted for reimbursements in cases of benefits paid under a reciprocal arrangement authorizing the combination of the individual's wage credits in 2 or more States; i.e., situations when the claimant would be ineligible in the State without the out-of-State wage credits. In 8[6] of the 12 States with dependents' allowances, no dependents' allowances are charged to employers.

In West Virginia benefits paid for partial unemployment are charged to the current employer, and in Alabama, Arizona, Hawaii, Iowa, Maryland, Minnesota, New York, and Tennessee an employer who employed a claimant part time in the base period and continues to give him substantial equal part-time employment is not charged for benefits.

Four States (Arkansas, Colorado, Maine, and North Carolina) have special provisions or regulations for identifying the employer to be charged in the case of benefits paid to seasonal workers; in general, seasonal employers are charged only with benefits paid for unemployment occurring during the season, and nonseasonal employers, with benefits paid for unemployment at other times.

Another type of omission of charges is for benefits paid following a period of disqualification for voluntary quit, misconduct, or refusal of suitable work or for benefits paid following a potentially disqualifying separation for which no disqualification was imposed; for example, because the claimant had good personal cause for leaving voluntarily , or because he got a job which lasted throughout the normal disqualification period and then was laid off for lack of work.

[6] Alaska, Connecticut, District of Columbia, Maryland, Massachusetts, Nevada, Rhode Island, and Wyoming.

Table 12.—Fund requirements for any reduction from standard rate and for most favorable schedule, 51 States [1]

State	Requirements for any reduction in rates					Requirement for most favorable schedule [2]
	Millions of dollars (10 States)	Multiple of benefits paid (8 States)		Percent of payrolls (18 States)		
		Multiple	Years	Percent	Years	
Alabama						([3]).
Alaska [4]						
Arizona [5]				3.5	Last 1	13 percent of payrolls.
Arkansas		1	Last 1			2 times benefits.
California						7.5 percent of payrolls.
Colorado	10					$65 million.
Connecticut				1.25	Last 3	4.25 percent of payrolls.[2] [6]
Delaware						$5 million.
District of Columbia				2.4	Last 1	5 percent of payrolls.
Florida [7]						
Georgia [8]	75	3	Highest of last 5.			
Hawaii				5	Average last 5.	
Idaho	7.5			7.5	Last 1	11.5 percent of payrolls.
Illinois						([3]).
Indiana	75					
Iowa		1	Last 1			$110 million.
Kansas [5]				4	Last 1	11 percent of payrolls.
Kentucky [9]				([9])	([9])	([9]).
Louisiana				6	Last 1	12.5 percent of payrolls.
Maine [8]	20					Over $35 million.
Maryland				2	Last 1	10 percent of payrolls.
Massachusetts				2.5	Last 1	6.5 percent of payrolls.
Michigan						8.5 percent of payrolls.
Minnesota						$100 million.
Mississippi	20			4	Last 1	8 percent of payrolls.
Missouri						7.5 percent of payrolls.
Montana [5]	20					Over $26 million.
Nebraska [4]						
Nevada [10]				6	Last 1	
New Hampshire [5]	12					$20 million.
New Jersey				2.5	Last 1	12.5 percent of payrolls.
New Mexico				2	Average last 3.	5 percent of payrolls.[2]
New York						14 percent of payrolls.[2]
North Carolina						10.5 percent of payrolls.
North Dakota						10 percent of payrolls.
Ohio						Over 7.5 percent of payrolls.[2]
Oklahoma		2	Average last 5.			3.5 times benefits.[2]
Oregon [8]				5	Average last 8.	
Pennsylvania [7]						
Rhode Island				6.5	Last 1 or average last 3.	
South Carolina						5 percent of payrolls.
South Dakota [5]	5					$11 million.
Tennessee						$125 million.
Texas [5]						$300 million.
Utah				6	Last 1	10 percent of payrolls.
Vermont						12 percent of payrolls.
Virginia						5 percent of payrolls.[2] [6]
Washington [11]						
West Virginia [8]	40					$60 million.
Wisconsin						([12]).
Wyoming				3.5	Last 1	1.5 percent of payrolls.[2]

[1] Excludes Puerto Rico which has no experience-rating provision. When alternatives are given, the greater applies. See also table 13.
[2] Payroll used is that for last year except as indicated: last 3 years (Connecticut); average 3 years (New Mexico, Ohio, and Virginia; last year or 3-year average, whichever is greater (New York); 5 years (Wyoming). Benefits used are last 5-year average (Oklahoma).
[3] 1 rate schedule but many schedules of different requirements for specified rates applicable with different "State experience factors" under benefit-wage-ratio formula. Alabama and Illinois have special solvency factors; see text
[4] No requirement for fund balance in law; rates set by agency in accordance with authorization in law.
[5] Indeterminate number of schedules (see table 7).

(Footnotes continued on page 37)

The intent is to relieve the employer of charges for unemployment due to circumstances beyond his control, by means other than limiting good cause for voluntary leaving to good cause attributable to the employer, disqualification for the duration of the unemployment, or the cancellation of wage credits. The provisions vary with variations in the employer to be charged and with the disqualification provisions (see p. 85), particularly as regards the cancellation and reduction of benefit rights. In this summary, no attempt is made here to distinguish between noncharging of benefits or benefit wages following a period of disqualification and noncharging where no disqualification is imposed. Thirty-seven States provide for noncharging where voluntary leaving is involved; 36 States, discharge for misconduct; and 9 States, refusal of suitable work (table 11). Four of these nine States limit noncharging to cases where a claimant refuses re-employment in suitable work.

Connecticut has a provision for canceling specified percentages of charges if the employer rehires the worker within specified periods.

Requirements for Rate Reduction

In accordance with the Federal requirements for experience rating, no reduced rates were possible in any State during the first 3 years of its unemployment insurance law. Except for Wisconsin, whose law preceded the Social Security Act, no reduced rates were effective until 1940, and then only in three States.

The requirements for any rate reduction or for successive schedules of rate reduction vary greatly among the States, regardless of type of experience-rating formula.

Prerequisites for any reduced rates.—Twenty-nine laws now contain some requirement of a minimum fund balance before any reduced rate may be allowed. In 7 States the "solvency" requirement is in terms of millions of dollars; in 3 States in terms of a multiple of benefits paid; in 15 States in terms of a percentage of payrolls in certain past years; in 3 States in terms of whichever is greater, a specified dollar amount or a specific requirement in terms of benefits or payroll; and in Kentucky it is in terms of a fund solvency factor. Such factor

(Footnotes for Table 12)

[6] Secondary adjustment is made by issuance of credit certificates when fund exceeds 4.25 percent of 3-year payroll and contributions in last year exceed benefits by $500,000 (Connecticut); when fund reaches 7 percent and 7.25 percent of average taxable payrolls in last 3 years (Virginia).

[7] Fund requirement is 1 or 2 of 3 adjustment factors used to determine rates. Such factor is either added or deducted from an employer's benefit ratio (Florida); such 2 factors may be zero and 0.1 percent when the fund balance is over $300 million (Pennsylvania).

[8] Suspension of reduced rates is effective for 12-month period (Georgia); until fund is $26 million (Montana); as long as the condition persists (Oregon); until next Jan. 1 on which fund equals $45 million (West Virginia); at any time, if agency decides that emergency exists (Maine and New Hampshire).

[9] Rate schedule applicable depends upon "fund solvency factor." A 2.5 factor required for any rate reduction and a 6 factor required for most favorable rate schedule. See text.

[10] Beginning Jan. 1, 1963, requirement will be changed to 1½ times the highest benefit cost rate during the preceding 10 years.

[11] Rates are reduced by distribution of surplus but only if it is at least 10 percent of last year's contributions; surplus is lesser of (1) the excess of the fund over 4 times last year's contributions and (2) 40 percent of such contributions.

[12] 3 schedules of reduced rates. Rates reduced when the percentage of benefits paid is at least 1.4 or 1.8 percent of total gross wages in State.

is determined by dividing the "benefit cost ratio" into the "statewide reserve ratio." The "benefit cost ratio" is the percentage ratio obtained by dividing taxable wages for the last 5 years into the amount of benefits paid during the same period, and "statewide reserve ration" is the percentage ratio obtained by dividing taxable wages for the last year into the fund balance (table 12). Regardless of form, the purpose of the requirement is to make certain that the fund is adequate for the benefits that may be payable.

More general provisions are included in the Maine and New Hampshire laws. The Maine law provides that if in the opinion of the commission an emergency exists, the commission after notice and public hearing may reestablish all rates at 2.7 percent so long as the emergency lasts. The New Hampshire commissioner may similarly set a 2.7 rate if he determines that the solvency of the fund no longer permits reduced rates.

Table 13.—Fund conditions under which least favorable schedule is applicable, 16 States[1] without provision for suspension of reduced rates

State	Fund	Indicated fund is less than—					Range of rates	
		Millions of dollars	Multiple of benefits paid		Percent of payrolls			
			Multiple	Years	Percent	Years	Minimum	Maximum
Alabama			1.5	(2)			0.5	3.6
California					5.0	Last 1	[3] 2.2	[3] 3.5
Delaware			(3)				1.6	4.5
Illinois		450					.1	4.0
Michigan	Trust				5.0	Last 1	5	4.0
	Solvency	24					[3] 1.0	[3] 4.5
Minnesota		50					.6	3.0
Missouri			[4] 2	Last 1			.5	[5] 4.4
New York	Trust				5.0	Greater of last 1 or 3-year average.	1.3	3.2
	General account.	50					2.3	[3] 4.2
North Carolina					4.5	Last 1	.9	3.7
North Dakota					3.0	Last 1	2.7	4.2
Ohio			1	Last 2			.6	3.2
South Carolina					4.0	Last 1	1.3	4.1
Tennessee		[6] 50					1.5	[7] 3.5
Vermont					5.0	Last 1	1.0	2.7
Virginia					5.0	Average last 3	(8)	2.7
Wisconsin	Trust		(9)				[3] 0	[3] 4.0

[1] Excluding Florida where all rates are increased by addition of an adjustment factor when the fund falls below 4 percent of taxable payrolls in the preceding year; Nebraska where rates are set by the Commission; Pennsylvania and Texas where individual rates vary with the State adjustment factor and State experience factor, respectively.

[2] State experience factor is doubled when fund is less than 1.5 times product of the highest taxable payroll in last 3 years and the highest benefit-payroll ratio in last 10 years.

[3] Includes maximum additional contributions described in footnote 5 of table 7. See also footnote 7, table 7, for secondary adjustments tending to increase rates in New York and Wisconsin. In Delaware supplemental contributions are required when fund falls below "safety balance," which is product of total payrolls in last year and the "solvency factor" (an amount equal to 1.5 times the highest benefit costs for a 1-year period within the last 15 years).

[4] Or contributions, if greater.

[5] Rate increases 0.3 percent each year up to 5.0 percent in 1964; thereafter, 3.6 percent.

[6] And benefits exceed contributions in any quarter.

[7] Maximum rate increases to 4.0 percent, July 1, 1962.

[8] Rates increase by ¼ of the difference between fund balance and 6 percent of average taxable payrolls for last 3 years.

[9] When net benefits paid in last year are less than 1.4 percent of gross wages in State.

In 20 States[7] there is no provision for rates to return to the standard rate. In 17 of these 20 States, rates are increased (or a portion of all employers' contributions is diverted to a special account) when the fund (or a specified account in the fund) falls below the levels indicated in table 13. In Texas individual employers' rates increase automatically when a heavy drain on the fund increases the "State experience factor." In Florida individual employer's rates also increase automatically due to the addition of an "adjustment factor" when the fund falls below 4 percent of the taxable payrolls in the preceding year. In Pennsylvania individual employer's rates increase automatically, due to an increase in the funding and experience factors when the fund falls below $300 million.

Prerequisities for certain schedules.—Twenty of the States with fund requirements for any reduction of rates and 14 States without such requirements have fund requirements which bring into effect 1 of 2 or more rate schedules. The multiple schedules are so varied as to be impossible of presentation comparatively. As the State funds available for benefits increase, these experience-rating formulas lower employers' rates for a given reserve ratio by schedule or by subtracting a given amount from each rate or dividing each rate by a given figure or adding new lower rates in the most favorable schedule. Table 12 presents the requirements for the most favorable schedule as well as the requirements for any reduced rates. Of the 20 States with fund requirements for any reduction of rates and one or more additional schedules, the solvency requirements are presented in full for 3 States that have only 2 schedules; and for the 17 States with more than 2 schedules, the range is shown. Table 13 shows the fund conditions under which the least favorable schedule is applicable and the range of rates in such schedule for States without provision for suspension of reduced rates.

Two of the five States with benefit-wage-ratio systems and no fund requirement prerequisite to rate reduction have provisions for raising or lowering the State factor in accordance with the amount in the fund so as to raise or lower all employers' rates. The laws contain only one rate schedule, but the changes in the State experience factor change the benefit-wage-ratio prerequisite for a given rate. In Alabama, if the balance in the fund at the end of the year is less than the minimum normal amount (1½ times the highest ratio of benefits to payrolls during the last 10 years applied to the highest taxable payrolls in the last 3 years), the State experience factor is doubled and all employers' rates are raised one or more brackets according to the table of employers' benefit-wage percentages by State experi-

[7] Alabama, California, Delaware, Florida, Illinois, Michigan, Minnesota, Missouri, Nebraska, New York, North Carolina, North Dakota, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Virginia, and Wisconsin.

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ence factor. In Illinois the State experience factor is increased 1 percent for every $7 million by which the amount in the fund falls below $450 million, and reduced 1 percent for every $7 million by which the amount in the fund exceeds $450 million. The result is to increase or decrease any given employer's rate within the same schedule.

Wisconsin has three schedules of rates (table 7), but no fund requirements of the type discussed here. The law provides for successive reduction of rates when the ratio between fund balance and amount of benefits paid exceed 1.4 and 1.8 percent, respectively; the fund's balancing account must, however, have a net balance of $25 million or more.

In addition to the alternative schedules for increased rates, 27 State laws have general provisions which require the State officials to inform the Governor and the legislature whenever they believe that a change in contribution rates is necessary (see p. 76).

Requirements for rate reductions for individual employers.—Each State law incorporates at least the Federal requirements (see p. 20) for reduced rates of individual employers. A few require more than 3 years of potential benefits for their employees or of benefit chargeability; a few require recent liability for contributions (see table 9). Many States require that all necessary contribution reports must have been filed and all contributions due must have been paid. If the system uses benefit charges, contributions paid in a given period must have exceeded benefit charges.

Voluntary contributions.—In 26 States employers may obtain reduced rates by voluntary contributions (table 7). The purpose of the voluntary contribution provision in 22 States with reserve-ratio formulas is to increase the balance in the employer's reserve so that he is assigned a lower rate, which will save him more than the amount of the voluntary contribution. In Minnesota, Pennsylvania, and Wyoming, with benefit-ratio systems, the purpose is to permit an employer to pay voluntary contributions to cancel benefit charges to his account and thus reduce his benefit ratio. In Montana voluntary contributions are used only to cancel the excess of benefit charges over contributions, thereby permitting an employer to receive a reduced rate.

Rates and Rate Schedules

In 48 States rates are assigned in accordance with rate schedules in the law; in Nebraska in accordance with a rate schedule in a regulation required under general provisions in the law. In 41 States the rates are assigned for specified ratios; in 29 of these States for specified reserve ratios; in 6 States for specified benefit ratios; and in 6 States for specified benefit-wage ratios. In Arizona and Kansas the rates assigned for specified reserve ratios are adjusted to yield specified average rates. In Alaska and Mississippi rates are assigned according to specified payroll declines; in New York according to employers' scores on a combination of points (see p. 28); and in Connecticut, Idaho, and Montana according to employers' experience arrayed in comparison with other employers' experience. Connecticut arrays its employers' payrolls in 13 equal parts and assigns specified rates to each group according to the fund balance (see p. 27). Idaho arrays its employers who meet the requirements for reduced rates in 13 groups; 20 percent of the employers with the best reserve ratios pay 0.3 percent; those with the next 20 percent pay 0.4 percent; those with the next 10 percent pay 0.6 percent; those with each succeeding 5 percent pay 0.2 percent more. Montana arrays its employers according to their combined experience in three factors and assigns rates specified in the law (0.5 to 2.7 percent) to yield approximately 1.5 percent of the total annual payrolls.

The laws of Utah and Washington contain no rate schedules. In Washington surplus funds are distributed by credit certificates. If any employer's certificate equals or exceeds his required contribution for the next year, he would in effect have a 0 rate. In Utah surplus funds are distributed as described on page 30.

Fifteen States have one schedule of variable rates; this number includes three States with benefit-wage systems with only one rate schedule but with another variable, the State benefit factor, determining any employer's rate for a given benefit-wage ratio, and Florida and Pennsylvania where individual employer rates are adjusted up or down depending on the "balance of fund" factors. Thirty-four States have two or more schedules applicable under different conditions of the fund. Some laws include detailed alternative schedules; others, a basic schedule and provisions for raising or lowering each rate, at stated fund levels, by a specified amount or percent within certain maximum and minimum rates, or by eliminating the lower rates when the fund falls to certain levels. Texas has an indeterminate number of schedules; for each $5 million in excess of the amount over $300 million, each employer's rate is reduced 0.1 percent from computed rates, but no employer pays less than 0.1 percent or more than 2.7 percent unless the amount in the fund falls below $225 million. Virginia also has an indefinite number of schedules; when the fund falls below 5.0 percent of taxable payrolls, rates are increased by one-fourth of the difference between the fund balance and 6.0 percent of taxable payrolls.

Computation dates and effective dates.—In all but eight States the effective date for new rates is January 1; in these eight it is April 1, June 30, or July 1. In 32 States the computation date for new rates is a date 6 months prior to the effective date; however, in 9 States with a January 1 effective date, the computation date is the preceding De-

Table 14.—Contribution rates in effect Jan. 1, 1962, by reserve ratio, 26 States with reserve-ratio formula [1]

Reserve-ratio (percent)[2 3] / Contribution rates (percent)[3]

State	Minus balance	0	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0
Arkansas	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.5	2.3	2.1	1.9	1.7	1.5	1.3	1.1	0.9
California [4]	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.7	2.7	2.6
Colorado	1.5	1.5	1.5	1.5	1.5	1.2	1.2	1.2	1.2	.9	.9	.9	.9	.6	.6	.6	.6	.3
District of Columbia [3]	2.7	2.7	2.7	2.0	1.5	1.0	1.0	.5	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
Georgia	2.7	2.7	2.7	2.7	2.7	2.5	2.5	2.25	2.0	2.0	1.75	1.75	1.5	1.5	1.25	1.25	1.0	1.0
Hawaii	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.25	1.8	1.35	0.9	0.45	0
Indiana	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.0	2.0	2.0	1.5	1.5	1.5	1.0	1.0	1.0	.5	.5
Iowa	2.7	2.7	2.7	2.7	2.7	2.7	2.5	2.2	0.95	0.80	0.65	0.50	0.45	0.40	0.35	0.30	0.25	0.20
Kentucky [3]	4.0	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	1.8	.6	.6	.6	.6	.6	.6	.6
Louisiana [3]	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.4	2.1	1.8	1.5	1.2
Maine	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3
Massachusetts	(4)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.1	2.9	2.7	2.5	2.3	2.1
Michigan [3 4]	4.0	4.0	4.0	4.0	4.0	3.9	3.9	3.7	3.5	3.3	2.9	2.3	1.9	1.7	1.5	1.3	1.1	.9
Missouri	(5)	2.7	2.7	2.7	2.7	2.6	2.5	2.4	2.4	2.2	2.2	2.0	2.0	1.8	1.8	1.6	1.4	1.2
Nebraska	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.5	2.0	1.5	1.0	0.5	0.3
Nevada [3]	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.4	2.4	2.4	2.4	2.1
New Hampshire	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.5	2.5	2.3	2.3	2.3	2.3	1.9
New Jersey	[7]3.9	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	2.8	2.8	2.5	2.5	2.2	2.2	1.9	1.9	1.6
New Mexico	2.7	2.7	2.7	2.7	2.7	2.4	2.4	2.1	2.1	1.8	1.8	1.5	1.5	1.2	1.2	.9	.9	.6
North Carolina [3]	(4)	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.5	2.5	2.3	2.1	1.9
North Dakota	4.2	3.9	3.9	3.9	3.9	3.7	3.7	3.5	3.5	3.3	3.3	3.1	3.1	2.9	2.9	2.7	2.7	2.5
Ohio	3.2	3.2	3.0	2.8	2.8	2.6	2.6	2.4	2.4	2.2	2.2	2.0	2.0	1.8	1.8	1.6	1.6	1.4
South Carolina	(5)	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.35	2.35	2.0	2.0	1.65	1.65	1.3
South Dakota [3]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.0	3.0	3.0	2.5	2.5	2.0	2.0	1.5	1.5	1.0	1.0
Tennessee	(4)	3.0	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.4	2.4	2.1	2.1	1.8	1.8	1.5
Wisconsin	3.6	3.1	3.1	3.1	3.1	2.6	2.6	2.6	2.6	2.2	2.2	2.2	2.2	1.8	1.8	1.3	1.3	.9

State	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	15.0	16.0	17.0	18.0 and over
Arkansas	0.7	0.5	0.3	0.1	.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
California [4]	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	1.9	1.8	1.7	1.7
Colorado	.3	.3	.3	0	0	0	0	0	0	0	0	0	0	0	0	0
District of Columbia [3]	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
Georgia	.75	.75	.5	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Indiana	.5	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
Iowa	0.15	0.10	0.05	0	0	0	0	0	0	0	0	0	0	0	0	0
Kentucky [3]	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6
Louisiana [3]	.9	.9	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6
Maine	2.3	2.2	2.2	2.1	2.1	1.9	1.9	1.8	1.8	1.6	1.6	1.5	1.4	1.3	1.2	[6]1.1
Massachusetts	1.9	1.7	1.5	1.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Michigan [3 4]	.9	.7	.7	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5
Missouri	1.2	1.0	1.0	.8	.8	.6	.6	.4	.3	.2	.2	.1	0	0	0	0
Nebraska	0.2	0.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
Nevada [3]	2.1	2.1	2.1	1.8	1.8	1.8	1.8	1.5	1.5	1.5	1.5	1.2	1.2	.9	.9	[6].6
New Hampshire	1.9	1.6	1.6	1.2	1.2	.9	.9	.6	.6	.6	.6	.5	.5	.5	.5	.5
New Jersey	1.6	1.3	1.3	1.0	1.0	.7	.7	.7	.7	.7	.7	.7	.7	.7	.7	.7
New Mexico	.6	.3	.3	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
North Carolina [3]	1.7	1.5	1.5	1.3	1.1	.9	.7	.5	.5	.4	.3	.3	.3	.3	.3	.3
North Dakota	2.5	2.3	2.3	2.1	2.1	1.9	1.9	1.7	1.7	1.5	1.5	1.3	1.1	.9	.9	.9
Ohio	1.4	1.2	1.2	1.1	1.1	1.0	1.0	.9	.9	.8	.8	.7	.6	.6	.6	.6
South Carolina	1.3	.95	.95	.6	.6	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25
South Dakota [3]	.5	.4	.4	0	0	0	0	0	0	0	0	0	0	0	0	0
Tennessee	1.5	1.5	1.2	1.2	1.2	1.0	1.0	.75	.75	.75	.75	.75	.75	.75	.75	.75
Wisconsin	.9	.5	.5	0	0	0	0	0	0	0	0	0	0	0	0	0

[1] Excluding Arizona and Kansas which adjust rates proportionately to provide specified approximate tax yields when total fund assets are within specified ranges; Idaho which arrays employers' payrolls in order of their reserve ratios and assigns rates on the basis of rate classes; New York which assigns rates in accordance with 4 experience factors of which reserve ratio is the principal factor; and Oregon, Rhode Island, and West Virginia which require all employers to pay the standard 2.7 percent rate on 1962 wages. Figures shown apply to employers with 3 or more years of experience.

[2] Reserve ratio is in terms of percentage of 1 year's payroll or average annual payroll. Schedules for Indiana, North Carolina, and South Dakota, stated in terms of reserve to 3 years' aggregate payroll, are converted to average annual payroll over specified period.

[3] Only lower limit of each reserve-ratio interval shown. In States noted, the intervals vary from those shown; for example, a 0.5-percent rate in the District of Columbia applies to employers with reserve ratios of at least 2.8 percent but less than 3.3 percent. In Nebraska rates are set by rule and in Nevada the reserve percentages are specified by rule.

(Footnotes continued on page 43)

cember 31. In nine States, the lag is 5 months or less (table 8). In Utah, both the computation and effective dates are January 1. Seven States have special computation dates for employers first meeting the requirements for computation of rates (footnote 2, table 8).

Minimum rates.—Minimum rates in the most favorable schedules vary from 0 (15 States) to 1.5 percent of payrolls in Alaska. In Washington, which has no rate schedule, some employers may have a 0 rate. Only three States have a minimum rate of 0.6 percent or more. The largest number of States (24) have minimum rates of 0.1 to 0.3 percent, inclusive; 1 has 0.4 and 6 have 0.5. The minimum rate in Utah depends on the surplus and the payrolls of the employers in the various classes to which the surplus is distributed.

Minimum rates in the least favorable schedule of the States without provision for suspension of reduced rates range from 0 in Wisconsin to 2.3 percent in New York which includes an additional 1-percent contribution that may be required for the general account.

Maximum reduced rates.—The maximum reduced rates in the most favorable schedules vary from 0.5 percent in Colorado to 3.9 percent in Pennsylvania (table 7).

Rates above the standard rate.—Twenty-three States provide for rates above 2.7 percent, varying from 2.9 percent in Florida to 4.4 percent in Missouri (table 7). In addition, Idaho provided a temporary increase above 2.7 percent for 1961 and 1962. Some employers in New York may pay emergency contributions of 0.2 to 1.0 percent to the "general account" when it falls to certain levels, in addition to their regular contributions. Michigan requires emergency contributions of 0.1 to 0.5 percent when the negative adjusted balance of the solvency account is at certain levels. These special accounts in New York and Michigan are balancing accounts credited with such items as interest and penalties collected from employers, earnings on moneys in the fund, and lapsed balances of employers' accounts, and debited with benefits not chargeable to employers' accounts and employers' negative balances written off. Solvency tax rates ranging between 0.1 percent and 0.6 percent are added to the basic tax rates of Rhode Island employers when the solvency account percentage reaches specified levels.

(Footnotes for Table 14)

[4] Rates shown do not include the 0.5-percent contribution required of all employers (California) or emergency contributions required of all employers with at least 3 years' experience (Michigan).

[5] Rates increase with size of negative balance percentage: 3 rates, 3.5 to 3.9 percent (Massachusetts); 10 rates, 2.8 to 3.7 (North Carolina); 5 rates, 2.7 to 4.1 (South Carolina); and 3 rates, 3.0 to 3.5 (Tennessee). In Missouri, if benefit charges to employer's account exceeded contributions in the last year, rate is increased by 0.3 percent over last year's rate, to 3.0, 3.3, 3.6, or 3.9 percent.

[6] Lower contribution rates not shown in table: 1.0 percent for reserve ratio of at least 19.0 percent (Maine); and 0.3 and 0.1 percent for reserve ratios of at least 20.0 and 21.5 percent, respectively (Nevada).

[7] However, if during past 10 years, contributions exceeded benefits, rate is 3.1 percent.

Michigan, Oklahoma, and Wisconsin prevent sudden increases of rates by a provision that no employer's rate in any year may be more than 1 percent more than in the previous year.

Rates for given reserve ratios.—Table 14 (except as noted in footnote 1) summarizes the contribution rates for given reserve ratios in the rate schedules in effect on January 1, 1962, in the States using this system of experience rating. Among the 26 States there are no two identical schedules. Rate reduction below 2.7 percent, the standard rate in all of the States shown in the table except New Jersey, North Dakota, and South Dakota (see page 18), depends on widely varying reserves. In Colorado and the District of Columbia, employers with a reserve balance of 1.0 percent of payrolls are assigned rates of 1.5 and 2.0 percent, respectively, while those in all of the other States are assigned rates of 2.7 percent or higher. Employers in California and North Dakota must have 8 percent of average annual payrolls to qualify for a rate of less than 2.7 percent. Twelve of the 26 States require a reserve of at least 4.5 percent before an employer pays less than 2.7 percent.

Table 15 summarizes the contribution rates for given reserve ratios in the least favorable schedule of the reserve-ratio States which have no provision for suspension of reduced rates.

Experience of Employers Who Enter Armed Forces

Twenty States have special provisions permitting assignment of a reduced rate to an otherwise eligible employer whose business was closed for a period solely because of his entry into the Armed Forces. If the business is resumed within a specified period (usually 2 years) after the employer's release from active duty, the employer's experience is deemed to be continuous throughout the period and his rate is based on such of his prior contributions, payrolls, and benefits (including benefits paid to any individual during the period the employer was in the Armed Forces) based upon wages paid by the employer as is appropriate under the State's formula. These 20 States include 14 with a reserve-ratio formula,[8] 3 with a benefit-wage-ratio formula (Alabama, Delaware, and Illinois) and 3 with a benefit-ratio formula (Florida, Maryland, and Minnesota).

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[8] Arkansas, District of Columbia, Idaho, Nebraska, New Hampshire, New Jersey, New Mexico, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, and Wisconsin.

Table 15.—Contribution rates in least favorable schedule, by reserve ratio, 9 States [1] with reserve-ratio formula and no provision for suspension of reduced rates

State	Reserve ratio (percent) [2] [3]: Minus balance	0	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	15.0	16.0	17.0 and over
	Contribution rates (percent) [3]																																
California [4]	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	1.9	1.8	1.7
Michigan [3] [4]	4.0	4.0	4.0	4.0	4.0	3.9	3.9	3.7	3.5	3.3	2.9	2.3	1.9	1.7	1.5	1.3	1.1	.9	.9	.7	.7	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5	.5
Missouri	(5)	3.2	3.2	3.2	3.2	3.1	3.0	2.9	2.9	2.7	2.7	2.5	2.5	2.3	2.3	2.1	1.9	1.7	1.7	1.5	1.5	1.3	1.3	1.1	1.1	.9	.8	.7	.7	.6	.5	.5	.5
North Carolina [3]	(5)	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.5	2.3	2.3	2.1	1.9	1.7	1.5	1.3	1.3	1.1	.9	.9	.9	.9	.9
North Dakota	4.2	4.1	4.1	4.1	4.1	3.9	3.9	3.9	3.9	3.7	3.7	3.5	3.5	3.3	3.3	3.1	3.1	2.9	2.9	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Ohio	3.2	3.2	3.0	2.8	2.8	2.6	2.6	2.4	2.4	2.2	2.2	2.0	2.0	1.8	1.8	1.6	1.6	1.4	1.4	1.2	1.2	1.1	1.1	1.0	1.0	.9	.9	.8	.8	.7	.6	.6	.6
South Carolina	(5)	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.35	2.35	2.0	2.0	1.65	1.65	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Tennessee	(5)	3.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.4	2.4	2.4	2.1	2.1	2.1	1.8	1.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Wisconsin	4.0	3.5	3.5	3.5	3.5	3.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.0	2.0	1.5	1.5	1.0	1.0	.5	.5	0	0	0	0	0	0	0	0	0	0	0	0

[1] Excluding Nebraska where rates are set by the commission and New York which assigns rates in accordance with 4 experience factors of which reserve ratio is the principal factor.

[2] Reserve ratio is in terms of percentage of 1 year's payroll or average annual payroll. Schedule for North Carolina, stated in terms of ratio of reserve to 3 years' aggregate payroll, is converted to average annual payroll. Contribution rates shown are those in schedules under least favorable Statewide fund conditions; in Wisconsin, under most favorable benefit conditions. See table 7 for number of other schedules; table 9 for years of contributions, benefits, and payrolls used in State formula; and table 13 for requirements for least favorable schedule.

[3] Only lower limit of each reserve-ratio interval shown. In States noted, the intervals vary from those shown; for example, a 3 5-percent rate in Michigan applies to employers with reserve ratios of at least 3.2 percent but less than 3.7 percent.

[4] Rates shown do not include the 0.5-percent contribution required of all employers (California) or the 0.1 to 0.5 percent emergency contribution required of all employers with at least 3 years' experience when negative adjusted balance of the solvency account reaches specified levels (Michigan).

[5] Rates increase with size of negative balance percentage. 10 rates, 2.8 percent to 3.7 percent (North Carolina); 5 rates, 2.7 to 4.1 (South Carolina); and 5 rates, 3 0 to 4.0, the 2 highest of which are not effective until July 1, 1962 (Tennessee). In Missouri, if benefit charges to employer's account exceeded contributions in the last year, rate is increased by 0.3 percent over his last year's rate, up to a maximum ranging from 3.0 percent in 1959 to 4.5 in 1964; thereafter, 3.6 percent if benefits charged to employer's account during all past years exceed contributions.